



## Office of Mayor Miro Weinberger

### MEMORANDUM

TO: City Council  
FROM: Mayor Miro Weinberger  
DATE: June 16, 2019  
RE: Fiscal Year 2020 Proposed Budget

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Herein is the Mayor's Proposed budget for Fiscal Year 2020 (FY20). This budget builds upon the strong financial foundation re-established over the last seven years through the commitment of the Administration, City Council, and Burlington voters. In particular, I would like to recognize the hard work of our Chief Administrative Officer, Beth Anderson, who has led the budget process, the members of her team, and the City Department heads and their teams, who deserve a great deal of credit for our financial progress.

Burlington taxpayers have made record investments in our capital infrastructure as well as many of our social and community goals over the past seven years. This budget maintains these important investment social programs and also continues the historic investments in our infrastructure.

The FY20 Budget continues, for the third year, the historically high investments in streets, sidewalks, and water infrastructure as called for by the Sustainable Infrastructure Plan approved by the voters in 2016. In addition, this year's budget includes substantial funding from the recently approved Clean Water Resiliency Plan. In addition, this year's budget includes federal dollars for the Champlain Parkway and investments at the airport. As a result, in total, FY20 will likely see greater investment in Burlington's public infrastructure this fiscal year than in an prior year.

#### **Strong Municipal Financial Position**

From my first days as mayor, in partnership with the City Council, this administration has focused on restoring the City's credit rating, and since 2012 the City has received four credit rating upgrades. The most recent upgrade from Moody's was in November 2017 when the City was upgraded from A3 to A2. These upgrades keep millions of dollars here in Burlington that would otherwise be sent to Wall Street. The most recent Fiscal Health Report from our Clerk/Treasurer's Office estimates that since the rating upgrades began, the City has locked in savings of more than \$15 million for Burlingtonians.

#### **Unassigned Fund Balance**

In 2015, the Administration and City Council completed a new Fund Balance policy that called for the accrual of an Unassigned Fund Balance of at least 5 percent and no more than 15 percent by FY19. We achieved this goal much more quickly than anticipated, finishing FY17 with an Unassigned Fund Balance of \$8.4 million, a figure representing approximately 14 percent of operating costs. In FY19, we began investing Unassigned Fund Balance dollars in excess of the 10 percent to support projects that would result in benefits to the City, improved service to residents, operational efficiencies, and cost savings.

Following an audit that confirmed that the City had an Unassigned Fund Balance of approximately \$9.7 million at the end of FY18, in FY20, we are proposing using \$1,293,000 of the Unassigned Fund Balance for the following purposes:

- \$568,000 for the construction and repair of sidewalks as outlined in the City's Sustainable Infrastructure plan, to ensure that the work in FY20 meets the target of three miles of sidewalk outlined without the need for additional bonding.
- \$475,000 to expand the FY20 paving contract by 25% to address a number of roads that were not included in the most recent paving contract due to price constraints, bringing the work in line with the targets outlined in the Sustainable Infrastructure Plan.
- Up to \$100,000 to hire a consultant to evaluate the opportunity to modify the existing Street Franchise Fee Ordinance to expand the application of fees for use of the public right of way to deliver services.
- Up to \$150,000 to digitize zoning files and property records that are currently in City Hall and are used by staff of the newly formed Department of Permitting & Inspections, which will be located at 645 Pine Street, and by the public.

### **Continuing and Institutionalizing Successful New Programs and Pilot Programs**

The FY20 budget continues several of the new programs and pilot programs that were funded through Unassigned Fund Balance or carry-forward in FY20:

- Continues funding to contract with a professional mental health counselor to work with the Fire Department to support the well-being of firefighters.
- Continues the expanded lifeguard season at North Beach in response to Chief Locke's policy review following the tragic death of Burlington High School student Christian Kibabu.
- Continues increased funding for BCA's Highlight New Year's Eve event. After a successful event ringing in 2019, BCA will continue holding Highlight with low-cost tickets and accessible programming for families.
- Continues expanded funding of Senior Centers. The FY20 budget includes funding for the Parks Department to operate the Champlain Senior Center through the CORE program at the ONE Community Center. It also maintains the increased funding for the Heineberg Senior Center in the New North End. The Senior Center Study Committee completed a report that recommended that the City take on the operation of the Heineberg Senior Center through the Park's Department. The Administration is continuing to review that recommendation and determine opportunities for additional cost savings and efficiencies, and plans to come back to the Council with a proposed arrangement early in FY20.

### **Continuing and Growing Community Investments**

The FY20 budget continues and expands funding programs that connect Burlingtonians from vulnerable incomes and backgrounds with opportunities:

- Early Learning Initiative – In addition to funding capacity grants to daycare centers to expand slots for infants and toddlers, the FY20 budget includes the ELI First Steps Scholarship Program to award 20 or more families with a one-year scholarship for Fall 2019 enrollment in childcare.
- Maintains Increased Funding of the Housing Trust Fund – The FY20 budget again includes \$175,000 of supplemental funding for the Housing Trust Fund to increase the City's contribution to the equivalent of a one cent assessment of the Grand List. At the City's recent Housing Summit, the community had the opportunity to weigh in on proposals to

further expand the Housing Trust Fund and I expect that the package of policies that I deliver to the Council this fall will include mechanisms for this additional increase.

- Funding for Low-barrier Shelter Extension – The FY19 budget included \$60,000 for a pilot program to extend the CHCB Low-Barrier Winter Warming Shelter into June. The CHCB Shelter will soon close for the summer season, and the Administration will be spending the upcoming weeks and months evaluating the success of the pilot and determining how we will proceed for the upcoming season. The FY20 budget includes the same \$60,000 allocation towards a low-barrier shelter option, and we will work with partners in CEDO and the Continuum of Care to determine how this funding should be used in the coming year, taking into consideration the results of the pilot.
- Resources for our Fight Against the Opioid Epidemic – The City has seen real progress flowing from the commitment, focus, and constellation of innovative strategies that the City and our partners have implemented over the last two years, and we plan to aggressively and relentlessly continue this work. The FY20 budget funds the Opioid Policy Coordinator in the Police Department, recently retitled the Drug, Mental Illness & Homelessness Policy Coordinator to acknowledge the overlap in high-risk behaviors that the Police Department encounters on a daily basis. This position has also recently taken on a pilot program to screen every arrestee for opioid abuse and offer to connect them to low-barrier rapid-access medically assisted treatment.

### **Expanded CEDO Capacity and NPA Funding**

Former Directors Noelle Mackay and Neale Lunderville undertook an extensive strategic planning process for CEDO that led to staff writing a vision statement that reflects the team's desire to be aspirational and future-looking while remaining true to the organization's founding principles: "Our vision is to make Burlington the most livable, just, and connected community in America by empowering individual voices in the life of our city, fostering healthy neighborhoods and housing choice, and advancing people-centered development."

The F20 budget includes funding to create a new Assistant Director of Community Works and funding to give more flexibility to largely grant-funded positions so that staff can dedicate more time and resources towards the priorities of the CEDO Strategic Plan – equity, housing, and community and economic development.

The FY20 CEDO budget also increases funding for the Neighborhood Planning Assemblies from \$3,200 – the level it had been at for many years – to \$20,000 (\$2,500 is allocated for each Ward). The NPAs advocated for and the Administration supported this increased allocation so that they could plan more community events and fund neighborhood-level projects.

### **Sustainable Infrastructure Plan and Capital Improvements**

FY20 includes a third year in a row of historic reinvestment in our roads, sidewalks, and other infrastructure. Thanks to the Sustainable Infrastructure Plan that voters passed in 2016, this year, we plan to repave more than 4 miles of roads, which will bring our three-year total to 17 miles – approximately double the work of a typical three-year period. At the same time, we are also tripling our investment in sidewalks, rehabilitating our waterlines, and making other needed investments to ensure that our core infrastructure is sound. Other highlights of this investment include:

- The funding necessary to complete summer 2019 rebuilding of Ethan Allen Parkway, Flynn Avenue, Pine Street, and Curtis Avenue and large patch sections on Intervale Road, Archibald Street, South Prospect, and North Street.
- The building of three miles of the Bike Path south of Perkins Pier, completing the reconstruction of approximately seven of the eight miles of our Waterfront Bike Path.

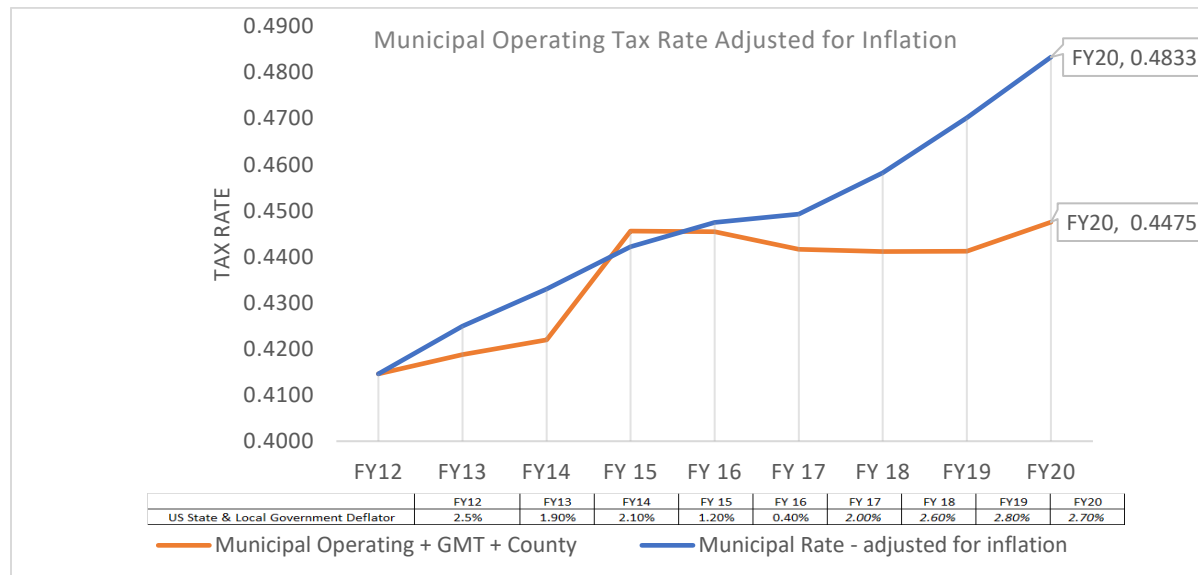
### Landmark Investments in Water Department and Infrastructure

In November 2018, 92% of voters supported the Clean Water Resiliency Plan, a \$30 million revenue bond to stabilize, modernize, and upgrade Burlington's wastewater and stormwater infrastructure. The FY20 budget includes drawing down \$1.49 million of the authorized bonding for capital work, including replacing critical disinfection equipment, plans for wastewater infrastructure improvements at the wastewater plants, developing a program to better pretreat industrial waste, and design work to upgrade or replace eleven of the 25 existing wastewater pump stations throughout the City's network. The budget also includes funding to increase the staffing capacity for the Water Department to accomplish this critical work.

In November 2017, Moody's affirmed the City's Water Utility A1 rating, recognizing the City for its stable service area and ample system capacity, healthy debt service coverage and improving liquidity, and sound legal security provisions. As a result of this strong credit rating, the Water Department will secure better borrowing rates and be able to accomplish more work for the \$30 million voter-approved bonding.

### FY20 Budget Includes Voter-Approved Property Tax Increase

In March 2019, Burlington voters approved increasing the general city tax rate to \$0.2729, bringing our overall city tax rate to \$0.8759 in FY20. However, shortly after that approval the City completed the Burlington Telecom agreement which included substantial repayment of BT related expenses. At a time when the City has nearly \$17 million of uncommitted funds available to it (nearly \$10 million of Unassigned Fund Balance in addition to \$7 million of BT settlement funds), I do not think it is right to utilize that new taxing authority. As in the last three years, we will continue the practice of taxing Burlingtonians at a lower rate than the voters have approved. For eight budget years now, the City has held taxes that fund the operating costs of City government well below the rate of inflation (see below).



It is important that property tax payers understand why they will still see an approximately 5% increase in their municipal taxes over FY19 levels. The main drivers of this increase are:

- An increase in the debt service tax related to increased level of bonding for the Sustainable Infrastructure Plan. This increase is fully consistent with the debt schedule projected for voters prior to their 76% approval of this infrastructure bonding 2016.
- An increase in the retirement tax that funds the Burlington Employee Retirement System. This increase follows three years of flat payments from FY16-FY18, and was largely driven by the need to reduce the systems assumed rate of return from 8% to 7.5% as most other public plans have done in recent years, putting the system on a much sounder footing. The new agreements signed with all four bargaining units in this current year all continue our efforts to share the system risk with employees, and include provisions for employees to share in the overall annual funding costs, at a level of 28% in FY20, 29% in FY21, and 30% in F22. The average Burlington homeowner will pay approximately \$48 more as a result of this retirement tax increase.

### **Full Resolution of Burlington Telecom Crisis in FY19**

In March, 2019 – a decade after the Burlington Telecom crisis burst into public view, and after years of hard work and negotiations – the City brought the crisis to full resolution by completing the transfer of Burlington Telecom to Schurz Communications. Citibank fully released Burlington from the \$33.5+ million lawsuit and the City recovered \$6.97 million of lost taxpayer funds (an additional recovery of up to \$500,000 in the future is possible), while also ensuring high-speed broadband choice for Burlingtonians in perpetuity and locking in numerous other protections for BT users. The City also successfully retained ownership of the building that houses Burlington Telecom throughout the Citibank dispute and will now begin receiving rental payments of \$115,000 a year and tax payments of \$18,000 annually.

When these cash benefits are added to value to of the related credit rating upgrades, it is clear that the resolution of the BT crisis was worth tens of millions of dollars to Burlingtonians and has put the City on a stronger financial footing than we have been on in years as we prepare to approve the FY20 Budget.

This budget does not yet include the appropriation of any funds recovered from the BT settlement. After discussions at the Board of Finance in recent weeks we are now planning a first City Council work session to discuss the City's use of these funds at the July 15 City Council meeting. It is likely that the Administration will propose a budget adjustment to use approximately \$1.2 million of these settlement funds for new sidewalk snowplows for consideration at that work session (the snowplows must be ordered before the end of July to maintain the quoted pricing and ensure delivery before winter).